



Utah State Tax Commission

Small Business Corporation Franchise or Income Tax Return and Instructions

Form TC-20S

1999

210 N 1950 W
SLC UT 84134
(801) 297-2200
1-800-662-4335
<http://www.tax.ex.state.ut.us>

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What's New?

A **Research Tax Credit** is available to corporations for research activities and for equipment used in the state for taxable years beginning on or after January 1, 1999 in accordance with Utah Code 59-7-612 and 59-7-613. This credit is closely aligned with the definitions and provisions of the federal research tax credit under I.R.C. Section 41. *Although a taxpayer qualifies for the Research Tax Credit in taxable year 1999, they cannot claim this credit on this 1999 return. The credit can be claimed on the taxable year 2000 return.*

Administrative Rule R865-6F-34 clarifies that Utah follows I.R.C. Section 1361(b) regarding the inclusion of the income of a "Qualified Subchapter S Subsidiary" in the S corporation parent's return and explains the applicable apportionment provisions.

Administrative Rule R865-6F-35 clarifies the determination of Utah net taxable income for S corporations, withholding for nonresident shareholders and requirement for completion of Schedule N for nonresident shareholders.

Important Information Regarding Extension of Time to File

An extension of time to file your tax return is NOT an extension of time to pay your taxes. **You must pay your tax due by the due date.** You are automatically allowed an extension of up to six months to file your return. However, if the prepayment requirements have not been met on or before the original due date, penalties and interest will be assessed.

If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at (801) 297-3811 or Telecommunications Device for the Deaf (TDD) (801) 297-3819. Please allow three working days for a response.

Need more information? You can find additional tax information and forms on the Tax Commission's web page, at: <http://www.tax.ex.state.ut.us>

General Instructions and Information

Corporation Identification Numbers

The Utah State Tax Commission will use the Employer Identification Number (EIN) as the corporation's taxpayer identification with the state. The Utah charter number is a six-digit number issued upon incorporation or qualification to do business in Utah and should also be included. Make sure you provide your EIN and Utah charter for proper identification of the corporate tax return or any correspondence.

Rounding Off to Whole-dollar Amounts

All entries must be reported in whole-dollar amounts.

Liability for Filing and Paying Returns

Tax Forms

The Utah State Tax Commission supplies returns for filing of corporate taxes to corporations properly registered with the state. If an original return is not mailed to the corporation, contact our offices at (801) 297-6700 to request forms. NOTE: Please review "Supporting Federal Information," later in these general instructions to identify what federal information is required with the Utah filing.

Franchise Tax

Every corporation incorporated in Utah (domestic), qualified in Utah (foreign), or doing business in Utah, whether qualified or not, must file a corporate franchise tax return. Returns should be filed on form TC-20. There is a minimum tax (privilege tax) of \$100 on every corporation regardless of whether the corporation exercises its right to do business.

Small Business Corporation

Every small business corporation (as defined in IRC 1361(a)) that has filed a proper and timely election under 1362(a) shall file form TC-20S so long as the federal election remains in effect. Corporation franchise or income tax returns, schedules, and general instructions for C corporations are printed separately from this booklet.

Income Tax

The only corporations required to file under the income tax provisions are those that derive income from Utah sources, but that are not qualified to do business in Utah and have no regular and established place of business in this state either owned or rented, and which do not maintain an inventory or have employees located at a place of business in Utah. For example: A foreign corporation with goods maintained in Utah in a public warehouse, or a

trucking company operated in or through Utah by a foreign corporation not qualified for the privilege of doing business in Utah, is subject to the income rather than franchise tax. Corporate income tax filers use form TC-20. A \$100 minimum tax applies to the corporate income tax for each C corporation.

Taxable Year

The taxable year for Utah corporation franchise or income tax purposes should match the taxable year used for federal income tax purposes. When the taxable year changes for federal purposes, the taxable year should be adjusted accordingly for Utah corporation franchise or income tax purposes. Refer to "Filing Return Where Period Changed," below. If the taxable year is not a calendar year, enter the beginning and ending dates of the taxable year at the top of form TC-20 where indicated.

Filing Return Where Period Changed

When changes are made to the taxable year, as indicated in "Taxable Year," above, a short period return is required. The short period return shall cover the period of less than 12 months between the prior taxable year end and the new taxable year end. The tax rates as provided in Utah Code Ann. Sections 59-7-104 and 59-7-201 apply to short period returns, which includes a minimum tax of \$100.

Due Date

Returns shall be filed on or before the 15th day of the fourth month following the close of the taxable year.

Filing Extension

An extension of time to file your tax return is NOT an extension of time to pay your taxes. You are automatically allowed an extension of up to six months to file your return. ***However, if the prepayment requirements have not been met on or before the original due date, penalties will be assessed.***

Penalties

The penalty for ***failure to file a tax due return*** by the due date is the greater of \$20 or 10 percent of the unpaid tax. In addition, if a tax balance remains unpaid 90 days after the due date, a second penalty, the greater of \$20 or 10 percent of the tax balance, will be added for failure to file timely.

The penalty for ***failure to pay tax due*** as reported on a timely filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or 10 percent of the tax due.

The penalty for underpayment of extension prepayment is 2 percent per month of the unpaid tax during the extension period.

Penalty for failure to file an information return or complete supporting schedule is \$50 for each return or schedule to a maximum of \$1,000.

For a list of additional penalties that may be imposed, please refer to Utah Code Ann. Section 59-1-401.

Interest

The interest rate applicable for all taxes and fees administered by the Tax Commission shall be two percentage points above the federal short-term rate in effect for the preceding fourth calendar quarter. This rate is published by the Internal Revenue Service in September of each year.

The interest rate for all taxes and fees administered by the Tax Commission for the 2000 calendar year is 7 percent.

Supporting Federal Information

Form 1120-S, as filed with the IRS, should be attached when filing the Utah Small Business Corporation Franchise or Income Tax return (Form TC-20S). In addition, federal Schedule K-1 forms must be filed for each shareholder.

If this is the first year as an S corporation, a copy of the federal designation letter must be included with the return.

First Time Filers

A copy of the IRS letter of authorization, "Notice of Acceptance as an S Corporation," must be attached to the Small Business Corporation Franchise or Income Tax Return, TC-20S, when filing for the first time.

Corporation Changes

Corporation changes (e.g. name change, merger, or ceasing to do business in Utah) must be reported to the Division of Corporations, Department of Commerce, 160 E 300 S, SLC, UT 84145 and the Tax Commission, Attention: Master File Maintenance, 210 N 1950 W, SLC, UT 84134.

Suspension for Failure to File or Pay Tax Due

Utah law provides for suspension of the corporation's right to do business in Utah if the corporation fails to file and/or pay taxes due before 5 p.m. on the last day of the eleventh month after the due date.

Instructions for Return

Corporation Name and Address Area

Enter the corporate name, address, and telephone number. Check the box provided if there has been a change in the corporation's name or address since last year's filing.

Employer Identification Number and Utah Charter Number

Forms without labels should be completed by entering the EIN and Utah charter number in the appropriate fields.

Qualified Subchapter S Subsidiary

An S corporation that owns one or more qualified subchapter S subsidiaries, as defined in I.R.C. Section 1361(b)(3)(B), must include each subsidiary's assets, liabilities and items of income, loss and deductions as assets, liabilities and items of income, loss and deductions of the S corporation parent for Utah corporation franchise tax purposes. The qualified subchapter S subsidiary shall not be treated as a separate corporation.

An S corporation that owns one or more qualified subchapter S subsidiaries, as defined in I.R.C. Section 1361(b)(3)(B), must take into account the activities of the qualified subchapter S subsidiaries in determining whether the S corporation parent is doing business in Utah. For purpose of this determination, all of the subsidiary's activities will be attributed to the parent.

Amended Returns for 1999

An amended state return for 1999 should be filed promptly if you discover:

1. an error on your state or federal return after it has been filed; or,
2. your federal return is audited or adjusted by the IRS and the IRS audit or adjustment affects your state return. You must report such changes or corrected net income within 90 days of the IRS's final determination.

If you need to amend a return for a tax year other than 1999, please use the tax form and instructions for the year you are amending.

To qualify for a refund or credit, an amended return must be filed within three years following the date the original return was filed. A return filed before the due date is considered filed on the due date.

To amend a previously filed 1999 state income tax return:

1. check the amended box located at the top of the return; and
2. indicate the reason for amending, by writing the number in the box provided on the return.

THE REASONS FOR AMENDING

1. you filed an amended return with the Internal Revenue Service (*you must attach a copy of your amended federal return*);
2. you made an error on your state return (*attach an explanation of the adjustments made*);
3. federal audit adjustments which resulted in changes in federal taxable income were issued and became final (*attach a copy of the IRS adjustment*);
4. other (*please attach explanation to return*).

Complete the return entering the figures as corrected.

Enter other amounts shown on your original return. If you received a refund on your original return, enter the total previous refunds on TC-20S, Schedule A, line 13c. If you paid with the original return or made subsequent payments of the tax prior to filing the amended return, enter the total previous payments on TC-20S Schedule A, line 14d.

REMEMBER, except for the amounts you amend, the amounts you place on the return must match the amounts on your original return.

Line 1(a) – Number of Resident and Nonresident Shares

Indicate number of resident and nonresident shares.

Line 1(b) – Percentage of Resident and Nonresident Shares

Indicate percentage of resident and nonresident shares.

Line 2 – Corporations conducting business in Utah

Check box, if applicable.

Line 3 – S-corporation Election

Check box, if applicable.

Line 4 – Refund

From Schedule A, line 17.

Line 5 – Tax Due

From Schedule A, line 18.

Line 6 – Total Penalties and Interest

Enter any applicable penalty and interest amounts on the appropriate lines. Enter the total amount on this line.

Line 7 – Total Refund

Subtract line 6 from line 4.

Line 8 – Total Remitted

Add lines 5 and 6, show total amount due on line 8. Make check or money order payable to the Utah State Tax Commission. **Do not mail cash. The Tax Commission assumes no liability for loss of cash placed in the mail.**

Signature and date lines are required for declaration of the return's accuracy. Refunds will not be granted on returns without signatures and dates.

Instructions for Schedule A – Utah Taxable Income and Tax Due

Line 1 – Income/Loss

Enter the amount of income or loss (R865-6F-35) as taken from federal form 1120S, Schedule K, line 23.

Line 2 – Charitable Contributions Addition

Add charitable contributions that were deducted on federal form 1120S, Schedule K, line 7.

Line 3 – Net Income

3a – Total Income before Nonbusiness Income.

Add Lines 1 & 2.

3b – Nonresident Income

Schedule A, line 3a multiplied by the percentage of nonresident shares on line 1b of Small Business Corporation Franchise or Income Tax return, form TC-20S.

Line 4 – Nonbusiness Income Allocation

Add line 4a and line 4b.

4a – Nonbusiness Income Allocated to Utah

Schedule H, line 13 multiplied by the percent of nonresident shareholders on line 1b of Small Business Corporation Franchise Tax return, form TC-20S.

4b – Nonbusiness Income Allocated Outside Utah

Schedule H, line 26 multiplied by the percent of nonresident shareholders on line 1b of Small Business Corporation Franchise or Income Tax return, form TC-20S.

Line 5 – Net Income Subject to Apportionment

Subtract line 4 from line 3b.

Line 6 – Apportionment Fraction

100 percent or bring forward fraction from Schedule J, line 7.

Line 7 – Net Income Apportioned to Utah

Multiply line 5 by line 6.

Line 8 – Nonbusiness Income Allocated to Utah

Enter amount reported on line 4a above.

Line 9 – Utah Taxable Income/Loss

Add line 7 and line 8.

Nonresident shareholders should transfer their pro rata share of taxable income before deduction amount to their Utah Individual Income Tax Return, TC-40, line 22, column A.

For tax years beginning on or after 1/1/94, losses are passed through to the individual shareholders and are not available for carryforward or carryback.

Line 10 – Deduction Amount Applies To Income Greater Than Zero

Multiply line 9 by (.15). If line 9 is a loss, no deduction amount is allowed.

Line 11 – Net Taxable Income

Subtract line 10 from line 9.

Line 12 – Tax Rate

The tax rate is .07.

Line 13 – Calculation of Tax

Add lines 13a through 13c.

13a – Calculation of Tax

Multiply line 11 by line 12.

13b – Built-in and Other Gains Tax

In accordance with the provisions of Utah Code Ann. Section 59-7-701, gains or income subject to the federal corporation tax are also subject to the Utah Small Business Corporation Franchise or Income Tax. The most common transactions that occur under federal provisions, include: built-in gains, capital gains, federal recapture amounts of prior year's investment credits, LIFO recapture amounts, and any other similar type transaction. These gains or income should be apportioned (see Schedule J) and multiplied by the current tax rate of 5 percent. Attach a schedule to form TC-20S that provides the necessary details of gains or income being reported.

13c – Amended Returns Only (Previous refunds)

This line is used only for amended returns. When filing an amended return, enter the amount of all refunds, credits, or offsets of corporation franchise or income tax received for the tax year being amended. You should exclude refund interest from this amount. This amount is then added into the tax amount on line 13.

Line 14 – Refundable Credits and Previous Payments

Add lines 14a through 14d.

14a – Mineral Production Withholding Credit (R865-14W-1)

A refundable credit is allowed for Utah tax withheld from the corporation's mineral production payments as indicated on form TC-675R or federal schedule K-1(s). Form TC-675R or K-1 must be attached when credit is claimed.

14b – Credit for Agricultural Off-Highway Gasoline and Undyed Diesel Tax (Utah Code Ann. Section 59-13-202)

Attach federal form 1040 Schedule F. There is no state form for this credit. Make sure you keep all personal records, forms, and worksheets to support this credit.

This is a 24.5 cents per gallon credit only for motor fuel and undyed diesel fuel purchased *in Utah* to operate stationary farm machinery used solely for commercial nonhighway agricultural use that was taxed at the time of purchase. Activities that **DO NOT** qualify for this credit include, but are not limited to, the following: Golf courses, horse racing, boat

operations, highway seeding, vehicles registered for highway use, hobbies, farming for personal use, etc.

Multiply your total gallons eligible for the credit by .245 and enter the gallon and credit amount on line 14b of your state return.

14c – Total Prepayments

A refundable credit is allowed for advance payments made as quarterly prepayments and extension payments (form TC-559). Also, include any overpayment from the prior year applied to this year, and include withholding prepayments made applicable to the filing period and specify amount paid. See Schedule E.

14d – Amended Returns Only (Previous Payments)

This line should only be used for amended returns. When filing an amended return, enter the amount of tax paid with the original return and/or subsequent payments of the tax prior to filing this amended return.

Line 15 – Overpayment

If line 14 is larger than line 13, subtract line 13 from line 14.

Line 16 – Overpayment To Be Applied To Next Taxable Year

As a convenience to refund filers, all or part of a refund may be applied as an advance payment for the next tax year. Enter amount to be applied (must be less than or equal to refund).

Line 17 – Refund

Subtract line 16 from line 15 and enter amount on form TC-20S, line 4.

Line 18 – Total Tax

If line 13 is larger than line 14, subtract line 14 from line 13 enter amount on form TC-20S, line 5.

Instructions for Schedule H – Nonbusiness Income Schedule

Determine nonbusiness income allocated to Utah and outside Utah by completing this schedule. All income that arises from the conduct of trade or business operations of a corporation is business income.

Nonbusiness income means all income other than business income and will be narrowly construed. Intangible income must be properly classified and based upon factual evidence. The burden of proof is on the corporation to justify the manner in which the income is claimed on the return.

Interest income is business income where the intangible with respect to which the interest was received arises out of or was created in the regular course of the taxpayer's trade or business operations. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(c))

Dividends are business income where the stock with respect to which the dividends are received arises out of or was acquired in the regular course of the taxpayer's trade or business operations. Because of the regularity with which most corporate taxpayers engage in investment activities, income arising from the ownership, sale or other disposition of investments is presumptively business income. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(d))

Gain or loss from the sale, exchange, or other disposition of real or tangible or intangible personal property constitutes business income if the property while owned by the taxpayer was used in the taxpayer's trade or business. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(b))

Rental income from real and tangible property is business income if the property with respect to which the rental income was received is used in the taxpayer's trade or business or . . . includable in the property factor. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(a))

If the corporation is claiming only Utah nonbusiness income, lines 1a through 13 must be completed. If the corporation is claiming only non-Utah nonbusiness income, lines 14a through 26 must be completed. If the corporation is claiming both Utah and non-Utah nonbusiness income, lines 1a through 26 must be completed. Use additional pages if necessary to provide complete information including a description of the business purpose for making the investment, the transactions creating the non-business income, and the use of revenues generated by the non-business investment.

Utah Nonbusiness Income

Lines 1(a)-(d) – Utah Nonbusiness Income

Complete each column with the information required and show the gross nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 2 – Total Utah Nonbusiness Income

Add lines 1(a) through 1(d).

Lines 3a-d – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income is listed on lines 1a-d. Direct related expenses include wages, interest, depreciation, etc. (Reference Utah Code Section 59-7-101(19)).

Line 4 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 3(a) through 3(d).

Line 5 – Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 4 from line 2.

Line 6 – Beginning of Year Assets

Enter the beginning of year value of assets used to produce Utah nonbusiness income in column A. Enter the beginning of year value of the corporation's total assets in column B. Total assets, including Utah assets, should be included in column B.

Line 7 – End of Year Assets

Enter the end of year value of assets used to produce Utah nonbusiness income in column A. Enter the end of year value of the corporation's total assets in column B. Total assets, including Utah assets, should be included in column B.

Line 8 – Sum of Beginning and End of Year Assets Values

Add lines 6 and 7 for each respective column.

Line 9 – Average Asset Values

Line 8 divided by 2 for each column.

Line 10 – Average Assets Used to Produce Utah Nonbusiness Income

Line 9, column A divided by line 9, column B.

Line 11 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

Line 12 – Indirect Related Expenses for Utah Nonbusiness Income

Multiply line 10 by line 11.

Line 13 – Total Utah Nonbusiness Income Net of Expenses

Subtract line 12 from line 5. Enter amount here and on Schedule A, line 4a.

Non-Utah Nonbusiness Income

Lines 14a-d – Non-Utah Nonbusiness Income

Complete each column with the information required and show the gross nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 15 – Total Non-Utah Nonbusiness Income

Add lines 14a through 14d.

Lines 16a-d – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income is listed on lines 14a-d. Direct related expenses include wages, interest, depreciation, etc. (Reference Utah Code Section 59-7-101(19)).

Line 17 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 16a through 16d.

Line 18 – Non-Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 17 from line 15.

Line 19 – Beginning of Year Assets

Enter the beginning of year value of total assets used to produce non-Utah nonbusiness income in column A. Enter the beginning of year value of the corporation's total assets in column B. Total assets, including Utah assets, should be included in column B.

Line 20 – End of Year Assets

Enter the end of year value of total assets used to produce non-Utah nonbusiness income in column A. Enter the end of year value of the corporation's total assets in column B. Total assets, including Utah assets, should be included in column B.

Line 21 – Sum of Beginning and End of Year Assets Values

Add lines 19 and 20 for each respective column.

Line 22 – Average Asset Values

Line 21 divided by 2 for each column.

Line 23 – Average Assets Used to Produce Non-Utah Nonbusiness Income

Line 22, column A divided by line 22, column B.

Line 24 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

Line 25 – Indirect Related Expenses for Non-Utah Nonbusiness Income

Multiply line 23 by line 24.

Line 26 – Total Non-Utah Nonbusiness Income Net of Expenses

Subtract line 25 from line 18. Enter amount here and on Schedule A, line 4b.

Instructions for Schedule J – Apportionment Schedule

Determine apportionment fraction by completing this schedule. The factors express a percent for tangible property in Utah, for wages and salaries in Utah, and for sales in Utah. These factors are to be added together and divided by the number of factors present (typically 3) to arrive at the Utah apportionment fraction calculated to **six decimals**. This fraction is to be applied to the net income (or loss) to arrive at the amount of income (or loss) apportioned to Utah. In cases where one or more of the factors is omitted due to peculiar aspects of the business operations, the corporation should divide by the number of factors present.

The Utah property, payroll and sales, of each qualified subchapter S subsidiary shall be added, respectively, to the Utah property, payroll and sales of the S corporation parent to determine the numerators of the property, payroll and sales factors; and all of the property, payroll and sales of each qualified S corporation subsidiary shall be added, respectively, to all of the property, payroll and sales of the S corporation parent, to determine the denominators of the property payroll and sales factor.

Income or loss from partnership or joint venture interests shall be included in income and apportioned to Utah through application of the three-factor formula consisting of property, payroll and sales. For apportionment purposes, the portion of partnership or joint venture property, payroll, and sales to be included in the corporation's property, payroll, and sales factors shall be computed on the basis of the corporation's ownership interest in the partnership or joint venture.

Briefly describe the nature and location(s) of your Utah business activities in the space provided at the top of this schedule.

Lines 1(a)-(e) – Tangible Property

Show the average cost value during the taxable year of real and tangible personal property used in the business within the state (including leased property) in column A; and overall (including Utah) in column B.

Property owned by the corporation is valued at its original cost. Property rented by the corporation is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the corporation less the annual rental rate received by the corporation from subrentals.

The average value of property shall be determined by averaging the cost values at the beginning and ending of the tax period. However, monthly values may be used

or required if monthly averaging more clearly reflects the average value of the corporation's property.

A supporting schedule should be attached whenever monthly averaging is used.

Line 2 – Total Tangible Property

Enter totals of lines 1(a)-(e) in the respective columns.

Line 2(a) – Property Fraction

Determine property fraction: column A, line 2 divided by column B, line 2.

Line 3 – Wages, Salaries, Commissions, and Other Includable Compensation

Wages, salaries, commissions, and other includable compensation paid to employees for personal services must be included in the Utah factor to the extent that the services, for which the compensation was paid, were rendered in Utah.

Compensation is paid in the state if (1) the individual's service is performed entirely within the state; (2) the individual's service is performed both within and outside the state, but the service performed outside the state is incidental to the individual's service within the state; or (3) some of the service is performed in the state and (a) the base of operations or, if there is no base of operation, the place from where the service is directed or controlled within the state, or (b) the base of operations or the place where the service is directed or controlled is not in any state where some part of the service is performed, but the individual's residence is in this state.

Amounts reportable for employment security purposes may ordinarily be used to determine the wage factor.

Line 3(a) – Wages Fraction

Column A, line 3 divided by column B, line 3. Overall wages, including Utah, are listed in column B.

Lines 4(a)-(e) – Gross Receipts from Business

The sales factor is the percentage the sales or charges for services within the state for the taxable year bear to the overall sales for the taxable year. Gross receipts from the performance of services are in this state to the extent the services are performed in this state.

Sales of tangible personal property are in this state if the property is delivered or shipped to a purchaser within this state regardless of the F.O.B. point or other conditions of the sale, or if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and: (1) the purchaser is the United States government, or (2) the corporation is not taxable in the state of the purchaser.

Nexus: The jurisdictional link that must be present before a state may tax a corporation upon its activities within a state's borders.

Note: Exception to the above method for securities brokerage businesses can be found in Utah Code

Ann. Section 59-7-319(3).

Line 5 – Total Sales and Service

Enter totals of lines 4(a)-(e) in their respective columns.

Line 5(a) – Sales Fraction

Determine sales fraction: column A, line 5 divided by column B, line 5. Overall sales, including Utah, are listed in column B.

Line 6 – Total Fraction

Enter total of lines 2(a), 3(a), and 5(a).

Line 7 – Apportionment Fraction

Calculate the apportionment fraction to **six decimals**: Line 6 divided by the number of factors used (typically 3 - property, wages, and sales). If one or more of the factors are not present (i.e., there is a zero represented on lines 2, 3, or 5 in column B), divide by the number of factors present. Enter apportionment fraction here and on Schedule A, line 6.

Note: Trucking companies, railroads, publishing companies, and telecommunication companies refer to Administrative Rules under R865-6F.

Instructions for Schedule N – Nonresident Tax Remittance Information

Every small business corporation is subject to payment of the corporation franchise tax on Utah's apportioned share of any income subject to federal corporation income tax. Utah's apportioned share of taxable income is taxed at the same rate (5 percent) applied to C corporations.

In addition, tax must be paid at the S corporation level on the percentage of taxable income attributable to the nonresident shareholders of the S corporation. The nonresident's share of taxable income is based on the ratio of stock held by nonresidents to total outstanding stock on the last day of the corporate filing period. The tax rate imposed on the nonresident shareholders is the same as the rate imposed on nonresident partners that file a Utah nonresident composite partnership return.

The nonresident S corporation shareholders may generally consider the tax imposed as either a payment or a withholding. Nonresident shareholders having no other Utah source income may choose whether or not to file a Utah nonresident individual income tax return. However, nonresident shareholders with income or loss from other Utah sources must file a nonresident individual income tax return. If a nonresident individual income tax return is filed, a credit may be claimed for the nonresident shareholder's share of the S corporation tax as shown on form TC-20S, Schedule N.

S corporations having nonresident shareholders must complete Part I of Schedule N showing the amount of Utah tax paid on behalf of each nonresident shareholder.

S corporations that have earned nonrefundable credits are required to complete Part II of Schedule N showing each shareholder's portion of each nonrefundable credit, the total for each credit and the total amount of nonrefundable credits that each shareholder (whether resident or nonresident) has earned.

A summary of current nonrefundable tax credits is provided to facilitate an understanding of the requirements for each credit.

Note to Tax Preparers: It is recommended that the amount of Utah tax paid on behalf of each shareholder be included on the federal schedule K-1.

Qualified Sheltered Workshop Cash Contribution Credit

(Utah Code Ann. Section 59-7-602)

There is no form for this credit. Make sure you keep any documentation to support this credit.

Cash contributions made within the tax year to a nonprofit rehabilitation sheltered workshop facility for the handicapped operating in Utah and certified by the Department of Human Services as a qualifying facility, are eligible for a credit against Utah income taxes. **Check with the workshop to make sure they are a qualified sheltered workshop.** The credit is equal to 50 percent of the total of cash contributions, not to exceed \$200. Contributions claimed as a tax credit under this section may not also be claimed as a charitable deduction in determining net taxable income (Utah Code 59-10-108).

High Technology Equipment Contribution Tax Credit

(Utah Code Ann. Section 59-7-603)

A nonrefundable tax credit is allowed for 25 percent of the fair market value of high technology equipment contributions to public education, not to exceed the basis of the property contributed. Credit claimed here cannot be claimed as a contribution deduction under Utah Code Ann. Section 59-7-106(10).

Enterprise Zone Tax Credit

(Utah Code Ann. Section 9-2-401 through 414)

There is no form for this credit. Make sure you keep any documentation to support this credit.

From **January 1, 1999 through May 2, 1999**, for businesses to qualify for the enterprise zone tax credit, at least 51 percent of the employees employed by the business located in the enterprise zone, must reside in the municipality or county that applied for enterprise zone designation. *Construction jobs and businesses engaged in retail trade or public utilities were not eligible for the tax credits in paragraphs 1- 4 below.*

Effective May 3, 1999, at least 51 percent of the employees employed by the business located in the enterprise zone, must reside in the county in which the enterprise zone is located. *Businesses engaged in retail trade or public utilities are not eligible for the enterprise zone tax credit. Construction jobs are not eligible for the tax credits in paragraphs 1- 4 below.*

The following state tax credits are applicable to qualifying businesses in an enterprise zone.

1. A credit of \$750 for each new full-time position filled for not less than six months during a tax year.

2. An additional \$500 tax credit if the new position pays at least 125 percent of the county average monthly nonagricultural payroll wage for the respective industry as determined by the Department of Workforce Services. If this information is not available, the job must pay at least 125 percent of the total average monthly nonagricultural payroll wage in the respective county where the enterprise is located.
3. An additional credit of \$750 may be claimed if the new position is in a business that adds value to agricultural commodities through manufacturing or processing.
4. An additional \$200 credit may be claimed for two consecutive years for each new employee who is insured under an employer-sponsored health insurance program, if the employer pays at least 50 percent of the premium cost for two consecutive years.
5. A 50 percent credit not to exceed \$100,000 for cash contributions, made to a private nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the IRS Code, whose primary purpose is community and economic development, and is accredited by the Utah Rural Development Council Board of Directors.
6. A 25 percent credit of the first \$200,000 spent on rehabilitating a building, vacant for two years, in the enterprise zone.
7. An annual investment tax credit of 10 percent of the first \$250,000 investment and 5 percent of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable property.

A business claiming a credit under paragraphs 1- 4, may claim a credit for 30 full-time employee positions or less in each of its taxable years.

A business may claim an additional credit for a full-time employee position under paragraphs 1 - 4 above if:

- a. the business creates a new full-time employee position;
- b. the total number of full-time employee positions is greater than the number of full-time employee positions previously claimed by the business under paragraph 1 - 4; and
- c. the total number of credits claimed for its current taxable year, including the new full-time employee positions being claimed as a credit, is less than or equal to 30.

If the tax credit exceeds the tax liability, the credit amount exceeding the liability may be carried forward for a period that does not exceed the next three taxable years.

Indian tribes may apply for Enterprise Zone designation within an Indian reservation.

If Enterprise Zone credits are being taken based on your ownership in a partnership or S-corporation, you must allocate the above calculated credits based on your respective percentage of ownership.

Contact the Department of Community and Economic Development, 324 S. State St., Suite 500, SLC, UT 84111, telephone (801) 538-8782 to obtain additional information.

Utah Steam Coal Tax Credit

(Utah Code Ann. Section 59-7-604)

For taxable years beginning on or after January 1, 1993, there is allowed, as a credit against any taxes imposed by Utah Code Ann. Section 59, Chapters 7 and 8, an amount equal to \$1 per ton for each ton of Utah steam coal sold from a permitted mine by the taxpayer to a purchaser outside of the United States in excess of the number of tons of Utah steam coal sold from a permitted mine by the taxpayer to a purchaser outside of the United States in the taxable year beginning on or after January 1, 1992, but before Dec. 31, 1992.

Unused credits may be carried forward 15 years. The credit allowed by this section is repealed effective for tax years beginning on or after January 1, 2002.

Clean Fuel Vehicle Tax Credit

(Utah Code Ann. Section 59-7-605)

Complete and attach form TC-40V, "Clean Fuel Vehicle Tax Credit," with the Division of Air Quality approval stamp, verifying the credit has been approved.

To qualify you must have purchased new vehicles that are fueled by propane, natural gas, or electricity and registered in Utah for the first time; purchased and installed equipment to convert vehicles to be fueled by propane, natural gas, or electricity; or purchased and installed equipment to convert special fuel mobile equipment to be fueled by propane, natural gas, or electricity.

Contact the Division of Air Quality, Department of Environmental Quality, 150 N 1950 W N Temple, SLC, UT 84114-4820; telephone (801) 536-4000 to obtain form TC-40V, approval, and for additional information.

Clean Fuel Alternative Tax Credit

(Utah Code Ann. Section 59-7-606)

Complete and attach form TC-40F, "Clean Fuel Alternative Tax Credit" with the Utah Energy Office seal, verifying the credit has been approved.

To qualify you must have purchased and installed EPA certified pellet burning stoves, high mass wood stoves, solid fuel burning devices, and natural gas

or propane free standing fireplaces or inserts.

Contact the Division of Air Quality, Department of Environmental Quality, 150 N. 1950 W N Temple, SLC, UT 84114-4820; telephone (801) 536-4000 to obtain form TC-40F, certification, and for additional information.

Historic Preservation Tax Credit

(Utah Code Ann. Section 59-7-609)

Complete and attach form TC-40H, "Historic Preservation Tax Credit" with the State Historic Preservation Office certification, verifying the credit has been approved.

This is a credit for costs incurred in connection with qualified rehabilitation of any residential certified historic building. Unused credits may be carried forward five years as a credit against Utah tax due.

Contact the State Historic Preservation Office, 300 Rio Grande, SLC, UT 84101; telephone (801) 533-3563 to obtain form TC-40H, certification, and for additional information.

Low Income Housing Tax Credit

(Utah Code Ann. Section 59-7-607)

Complete and attach forms TC-40TCAC, "Utah Low-Income Housing Tax Credit Allocation Certification," and TC-40LI, "Summary of Utah Low-Income Housing Tax Credit," to your return. If you are carrying this credit forward or backward, you must also attach form TC-40LIC, "Utah Low-Income Housing Tax Credit Carryback and/or Carryforward," to your return.

This credit is an amount determined by the Utah Housing Finance Agency, for any housing sponsor that has received an allocation of the federal low-income housing tax credit and any applicant for an allocation of the federal low-income housing tax credit. Unused credits may be carried back three years or carried forward five years.

Contact the Utah Housing Finance Agency, 177 E 100 S, SLC, UT, telephone (801) 521-6950 to obtain forms, certification and for additional information.

Credit for Employers Who Hire Disabled

(Utah Code Ann. Section 59-7-608)

Complete and attach form TC-40HD, "Tax Credit for Employers Who Hire Persons with Disabilities," showing certification.

The credit is for employers hiring individuals with disabilities who:

1. worked in this state for at least 6 months in a taxable year for that employer; and
2. is paid at least minimum wage by that employer.

Individuals with disabilities are defined as individuals who:

1. have been receiving services from a day-training program for persons with disabilities, which is certified by the Department of Human Services as a qualifying program for at least six consecutive months prior to working for the employer claiming the tax credit; or
2. are eligible for services from the Division of Services for People with Disabilities at the time the individuals begin working for the employer claiming the tax credit.

Contact the Utah Department of Human Services, Division of Services for People with Disabilities, 120 N 200 W, Room 411, SLC, UT 84103, telephone (801) 538-4200 to obtain form TC-40HD, certification and for additional information.

Recycling Market Development Zone Tax Credit

(Utah Code Ann. Section 59-7-610)

Attach the completed form TC-40R, "Recycling Market Development Zone Tax Credit" with the Department of Community and Economic Development certification, verifying the credit has been approved.

For tax years beginning January 1, 1996 and ending December 31, 2000, the Utah Legislature has authorized credit to individuals in a recycling market development zone as defined in Utah Code 9-2-1602.

Contact the Department of Community and Economic Development, 324 S. State Street., Suite 500, SLC, UT 84111, (801) 538-8804 to obtain form TC-40R, certification, and for additional information.

Renewable Energy Systems Tax Credit

Attach form TC-40E, "Renewable Energy Systems Tax Credit" with the Office of Energy and Resource Planning stamp, verifying the credit has been approved.

To qualify for the energy tax credit, you must have installed or upgraded a renewable energy system during the tax period.

To determine if your system or system components and installation qualify for the tax credit, you must submit a written application, complete with signatures and photocopies of receipts, to the Utah Office of Energy and Resource Planning (OERP). Application forms can be obtained from the Utah Office of Energy and Resource Planning, 1594 W N Temple, Suite 3610, Box 146480, SLC, UT 84114-6480, telephone (801) 538-5428. If it is determined that your system meets the eligibility requirements, OERP will send you a TC-40E form, with information on your eligible system and installation costs and the OERP stamp of approval for you to complete and submit with your taxes.